



EU-Caribbean relations

SUMMARY *The European Union sees the nations of the Caribbean as important political partners, with cooperation opportunities in a range of different areas, including trade and development.*

On the political side, regular and wide-ranging dialogue takes place between the European Union and CARIFORUM, its counterpart in the region. Thematic cooperation also occurs in ad-hoc meetings and multilateral fora. The legal framework for political partnership is set out in the recently agreed Joint EU-Caribbean Strategy, building on the 2006 partnership framework.

The Caribbean is a region of particular significance for EU development policy, with the region receiving €165 million under the European Development Fund from 2008-13. Changes in the current policy and to the status of most Caribbean countries have been suggested, and the impact of this policy shift has aroused strong debate.

The goal of strengthening cooperation and increasing trade with these countries is being achieved thanks to the 2008 EU-CARIFORUM Economic and Partnership Agreement, a comprehensive deal covering trade in goods and services as well as other trade-related issues. Implementation is not yet complete, but the two parties have reaffirmed their commitment to the objectives of supporting sustainable growth, competitiveness and development in the region.



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General framework

The European Union has strong relations with the Caribbean countries, in particular due to its colonial past. The EU represents a model of regional integration through shared values, and is also an important trading partner and source of funding for development and humanitarian assistance.

The Caribbean countries are represented in [CARIFORUM](#) – comprising the 15 members of the Caribbean Community ([CARICOM](#)) plus the Dominican Republic. It takes charge of dialogue with the European Union, as well as policy formulation in the fields of cooperation and regional integration.

The European Union has agreements in place with the CARIFORUM group of countries, with 15¹ of them having signed the [Cotonou Agreement](#). It has also had relations with the region, since 1975, within the framework of the African, Caribbean and Pacific ([ACP](#)) group of States. Alongside this grouping, a number of Caribbean territories are either "outermost regions" of the EU or Overseas Countries and Territories (OCTs).

CARIFORUM also participates in the biannual EU-Latin America and the Caribbean ([EU-LAC](#)) meetings of heads of state or government and [Rio Group](#) ministerial meetings with the EU.

Joint Partnership Strategy

The European Union's aim is to support regional integration among the Caribbean

States and strengthen political ties with the region.

The European Commission adopted an [EU-Caribbean Partnership](#) for Growth, Stability and Development in 2006, in order to forge a political partnership, fight poverty, achieve peace and stability, assist development of the region and respond to its specific vulnerabilities. The strategy tackles geopolitical, socio-economic and environmental challenges, ranging from regional unity to economic shocks and social cohesion.

In 2010 the EU and CARIFORUM agreed on the basis of a [new Joint EU-Caribbean Strategy](#) to adapt the framework to recent regional and global developments, such as the impact of the financial crisis, climate change and other challenges, in particular sustainable development, natural disasters, crime and security.

Following agreement with the Caribbean partners, the European Commission and the High Representative adopted a [Joint Communication](#), setting five main challenges for the Strategy:

- Regional integration and cooperation with the wider Caribbean,
- Reconstruction and institutional support to Haiti,
- Climate change and natural disasters,
- Crime and security, and
- Joint action in bi-regional and multilateral fora and on global issues.

The report also calls on leaders to provide political guidance to the partnership and review progress in their regular meetings.

The [Council](#) endorsed the Strategy, for the EU side, on 19 November 2012.

Development cooperation

For the 2008-2013 period, the European Development Fund is providing [€165 million](#) to implement the Caribbean regional indicative programme. Other thematic programmes and frameworks for assistance

and funding are also contributing to development policy goals in the region².

Current EU development policy in support of the Caribbean encourages private sector development in order to foster growth, integration into the global economy and poverty reduction.

The European Commission has proposed changes to EU development policy in its May 2012 Communication, "[Increasing the impact of EU Development Policy: an Agenda for Change](#)", choosing to focus on countries with specific needs for external support.

Under this new approach, setting out the criteria to be used for EU development funding under the 2014-20 Multiannual Financial Framework, countries already experiencing sustained growth – middle income countries – would be the subject of different forms of cooperation. This would enable the EU to focus limited resources, following the financial crisis, on fewer beneficiaries, to ensure a greater impact on those countries most in need.

The level of aid will now depend on the country's situation – including its commitment and progress with regard to human rights, democracy, rule of law and good governance – and on its capacities, commitment, and performance, as well as on the potential impact of EU aid.

Apart from Haiti, Caribbean states now fall into the "[middle income countries](#)" (MICs) category, a categorisation adopted by the EU and first set by the World Bank's [World Development Indicators](#)³. According to recent surveys⁴, 72% of the world's poor live in these countries.

The transition of these states from "low income countries" (LICs) to MICs imposes a new tailored approach, with the EU seeking to forge more symmetrical relationships. Governments of MICs receiving aid should assume responsibility for their own development, and therefore the new rules

establish a different and more detailed set of conditions to receive EU aid.

Trade issues

The EU is CARIFORUM's [second largest trading partner](#), after the US. The main exports to the EU consist of fuel (petroleum gas and oils), chemicals, agricultural products (bananas, sugar and rum), minerals (gold, corundum, aluminium and iron ore products) and fertilisers. Imports from the EU are mainly machinery (construction equipment, vehicles and engine parts). In [2011](#) EU imports from the Caribbean region amounted to €4.4 billion while exports reached €5 billion⁵.

The European Union and the CARIFORUM states⁶ signed an [Economic Partnership Agreement](#) (EPA) in 2008, after four years of negotiations. The objective was to support sustainable growth, competitiveness and development in the Caribbean region. The agreement – the first of its kind the EU has signed within the ACP framework – covers trade in goods, services, and investments as well as other trade-related issues. This comprehensive international trade arrangement also includes a development chapter, an innovation for such an agreement. The parties are scheduled to review the agreement, to evaluate its impact, in 2013.

Fostering regional integration and improving the region's trading capacity are the main objectives of the EPA, in line with the internationally agreed trade principles of increasing the participation of developing countries.

A more transparent and stable framework for investments and the liberalisation of trade with the EU are the main tools to enhance the development of international trade in the region, while the European Union is committed to ensuring development cooperation and technical assistance to certain sectors, such as local tourism.

There are phase-in periods for the tariff reductions on sensitive products⁷. Moreover, it is worth noting that the tariff reductions [vary from country to country](#).

Reactions from stakeholders

Development cooperation

In the recent Second Meeting of the Trade and Development Committee under the Economic Partnership Agreement (EPA), CARIFORUM expressed concern with the EU policy, claiming that the differentiation of approaches may further [complicate the region's response](#) to the challenges it is facing. Regional authorities also called on the EU not to take the Caribbean states out of the development agenda, claiming that [other factors](#) than per capita income should be taken into account before allocating funds, such as vulnerability to economic shocks, especially in the tourism sector.

Other commentators have argued that the EU is "[disconnecting from the majority of the world's poor](#)", and that this differentiated approach should be revised. They claim that most MICs are so classified because a few high-income provinces in these countries are surrounded by low-income ones. But the low-income provinces will bear the costs of the policy change. In addition, local problems such as corruption and poor governance would also affect the aid MICs are to receive, and consequently greater control would be needed.

Others also challenge the classification of MICs, saying that these indicators do not capture the different capacities, needs, challenges and vulnerabilities present in the various countries. They therefore call for a revision of indicators in order to achieve more homogenous groups of countries.

EU Commissioner for Development Andris Piebalgs underlined that the EU, under the new approach, "won't simply withdraw from certain countries, but will be seeking to [tailor its action to meet the real needs](#)".

The EP's Development Committee has urged

the Commission to negotiate a roadmap for the reduction of development assistance with MICs, further clarifying that these countries receiving development aid should be "[more responsible for their own people](#)".

Trade issues

Evaluating the EPA's effects is difficult, as tariff reductions on sensitive products have not yet come into effect. However, the main concern raised by analysts is that [implementation is proceeding slowly](#), with only four Caribbean countries having ratified the agreement so far.

The UN Economic Commission for Latin America and Caribbean criticises the lack of institutional arrangements for the delays in ratification. For its part, CARICOM blames them on lack of financial and human resources, while assuring that it is helping member countries in adopting the necessary legislation.

Another issue is that related to the role of regional organisations in reviewing the implementation phase, with CARIFORUM having recently stated that consultations to identify a [regional monitoring organisation](#) are ongoing.

The picture is further complicated by the [role of the Dominican Republic](#). The country would like CARICOM partners to extend to it regional preferences in line with the EPA's requirement that all signatories are granted the same treatment on tariffs as they have with the EU. However, other states perceive the Dominican Republic as a threat because of the size of its economy – larger than any other in the region and amounting to more than half the combined size of the overall CARICOM economy.

Commentators have noted that civil society and the private sector should be more involved in cooperation and exchange of information. Local associations and stakeholders had previously opposed the deal because of the imbalance of rights and duties under the agreement, and are now expressing concerns over the pace of

[disbursement of funds](#) and the discrepancy between priorities and projects.

On the other hand, some in the European private sector see the Caribbean as an [unattractive partner](#) due to political fragmentation and the exclusion of certain sectors from the EPA, either permanently or during a transitional period.

Trade Commissioner Karel de Gucht has stated that the EPA in place with the Caribbean is "[delivering tangible results](#)", as European and Caribbean companies are expanding in the region or starting from scratch. Ambassador Valeriano Diaz, Head of the EU Delegation to Barbados and the Eastern Caribbean, referring to the implementation phase, has noted "unease with the pace of progress". But he has also highlighted that the EPA offers attractive conditions, which other developing countries would like to get, and that the two parties remain committed to the objectives of the agreement.

Main references

[Reassessing aid to middle-income countries: the implications of the European Commission's policy of differentiation for developing countries](#) / Siân Herbert, Overseas Development Institute (ODI), June 2012, 30 p.

[The Joint Caribbean EU Strategy: Reflections and Analysis](#) / The Institute of International Relations (IIR), the University of the West Indies & the European Centre for Development Policy Management (ECDPM), 15 April 2011, 6 p.

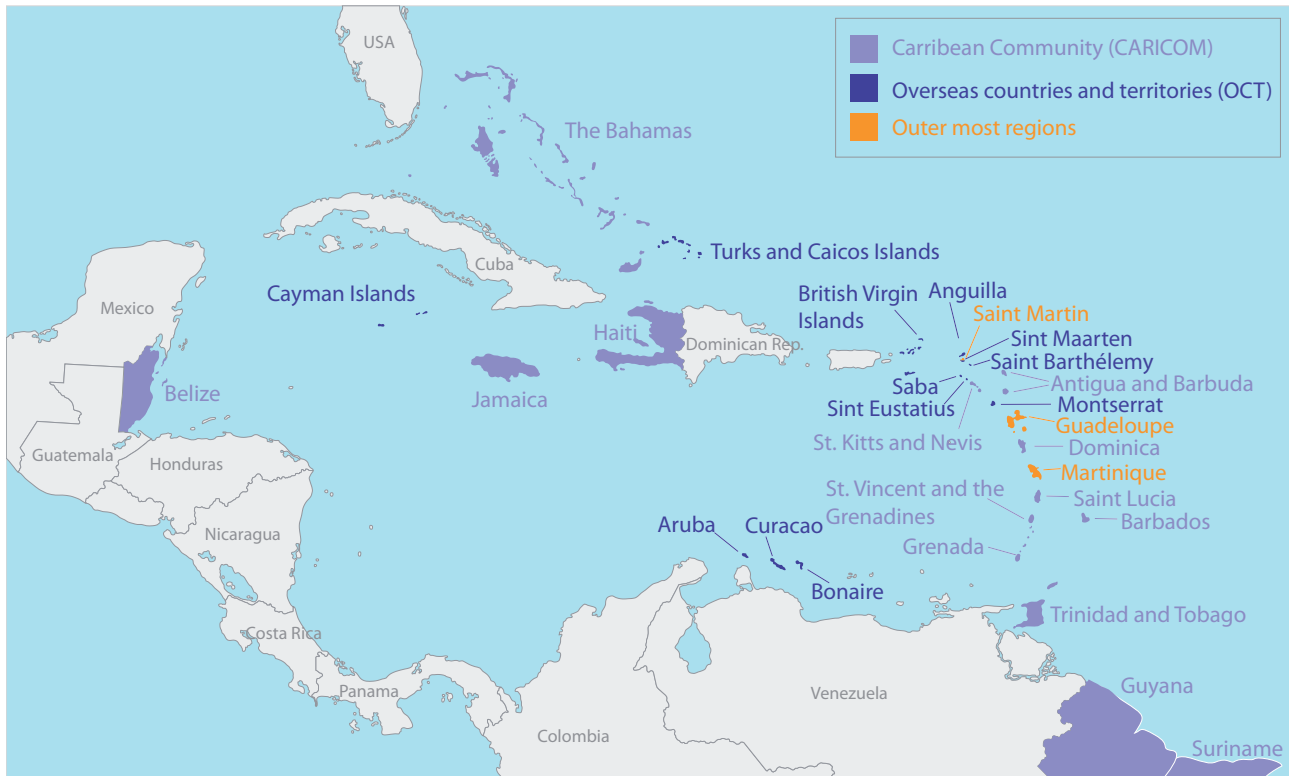
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Annex 1 : map of the region



Annex 2 : list of Caribbean Countries

Overseas Countries and Territories (OCTs) in the Caribbean	Outermost regions in the Caribbean	CARICOM Member States
Anguilla (UK)	Guadeloupe (FR)	Antigua and Barbuda
Aruba (NL)	Martinique (FR)	The Bahamas
Bonaire (NL)	Saint Martin (FR)	Barbados
British Virgin Islands (UK)		Belize
Cayman Islands (UK)		Dominica
Curaçao (NL)		Grenada
Montserrat (UK)		Guyana
Saba (NL)		Haiti
Saint Barthélemy (FR)		Jamaica
Sint Eustatius (NL)		Montserrat
Sint Maarten (NL)		Saint Lucia
Turks and Caicos Islands (UK)		St. Kitts and Nevis
		St. Vincent and the Grenadines
		Suriname
		Trinidad and Tobago

Sources: Caricom and European Commission websites

Endnotes

- ¹ Antigua and Barbuda, Bahamas, Barbados, Belize, Dominica, Dominican Republic, Grenada, Guyana, Haiti, Jamaica, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Suriname, Trinidad and Tobago. Cuba is not a signatory to the Cotonou Agreement.
- ² Apart from Member States' bilateral funds and EDF allocations per country, it is worth mentioning the EDF intra-ACP funds for crosscutting issues, the European Investment Bank and the Centre for the Development of Enterprise for private sector development, the Framework for assistance to ACP banana producers, Sugar Protocol, Instrument for Stability and the Global Climate Change Alliance.
- ³ Economies are divided according to 2011 GNI per capita, calculated using the World Bank Atlas method. The groups are: low income, \$1,025 or less; lower middle income, \$1,026 - \$4,035; upper middle income, \$4,036 - \$12,475; and high income, \$12,476 or more.
- ⁴ [Global poverty and the new bottom billion: Three-quarters of the World's poor live in middle-income countries](#)/ Andy Sumner, IDS Grey Literature, 2010, 43 p.
- ⁵ Source Eurostat.
- ⁶ Haiti joined in 2009.
- ⁷ The rice and sugar sectors will be progressively liberalised.